

September 6, 2012

Honorable Ajit Pai
Federal Communications Commission
Washington, D.C.

Commissioner Pai,

The future of rural Kansas is in peril because of an effort by the FCC to "reform" a telecommunications fund on which Kansas residents and businesses rely. "Devastation" and "negative economic impact" are just two dire and very real forecasts from informed researchers about the impact of losing nearly \$143 million annually that connects rural Kansas to the world.

Unfortunately, this so-called reform of the federal Universal Service Fund is more of a grand experiment than a focused effort to update and fine-tune a system that has worked well. It will mean that Kansans may need to say goodbye to broadband Internet access in some of the state's more remote corners. Indeed, unless the FCC reforms this fund in the right way, millions of rural Americans will be left behind.

Wichita State University's Center for Economic Development and Business Research recently concluded that these reforms could result in the cutting of up to \$143 million in funds over the next five years on which small businesses in Kansas have relied to deploy broadband-capable networks and provide broadband Internet access. The report found that such reforms "will have a significant, negative economic impact on rural Kansas."

In particular, these reforms could devastate the state's Rural Local Exchange Carriers (RLECs), the small businesses that provide telecommunications services to some of the highest-cost, hardest-to-serve areas. RLECs provide services in 104 of the state's 105 counties. They also are key employers in their communities.

The impact of these "reforms" on Kansas would be stark. The Kansas RLECs will be forced to reduce services and associated staff and, as the report said, 140 direct jobs would be lost through 2016. This will result in a loss of \$29 million in wages.

For every job lost, an additional 1.6 jobs also would be removed from the state's economy; the report concludes: "The total employment impact in rural Kansas is 367 jobs by 2016, with a total wage impact of \$51 million over the five-year period."

Because of these job losses, the state will forgo \$1.4 million in personal income taxes. Through 2016, local governments and the state will lose \$1.1 million in property tax and \$1.5 million in retail sales-tax collections, possibly resulting in the curtailing of local services.

A loss of \$143 million will force the state's RLECs "to dramatically change their operations" and likely cause defaults on loans owed to the federal government and other lenders.

Finally, rural Kansans risk being unplugged from the world. "It is expected that Kansas RLECs will, at minimum, cease operations in numerous highly rural communities across the state," the report concludes.

In reality, the report understates the potential impact, which is likely to be far worse because the impact of some of the proposed reforms can't yet be quantified.

Rural broadband is a part of our state's critical infrastructure. It has played a vital role in equipping Kansas first responders and health care providers with information that has been used to save and enhance the lives of Kansans. It has helped small communities by attracting businesses. Broadband enables rural Kansas residents to gain employment with companies far from home, through the ability to "telework."

The reforms being considered are a recipe for rural devastation. The FCC needs to proceed with deliberate caution.

As you see we are very concerned about our future and the future of "Rural" Kansas. Epic Touch Co. began in 1956 in Elkhart, Kan., and is owned by me, Bob Boaldin, and my wife, Dian Boaldin. It began as Elkhart Telephone Co. and as a leader installed digital switching and the longest unrepeatd fiber network in the nation in 1984. Today Epic Touch in Elkhart is a 100 percent fiber optics community in town and out of town.

We purchased the local cable company in 1978 and upgraded the system to provide a greater variety of video entertainment. Elkhart TV Cable Co. continued to develop the cable system and establish a reputation for quality cable television service.

In the early 1990s we expanded to provide data and wireless services as communications began to move to the new media and since 1996 Elkhart Telephone Co. and Elkhart TV Cable Co. services have been Epic Touch Co.

Communication and community are priorities for Epic PCS and Epic Touch Co.; making its motto of "Proactively making a difference, one connection at a time" an actuality. With eliminating the support for these networks, the networks and the benefits they deliver will simply disappear.

I have included for your review information to support what I have stated. Please feel free to contact me or my Assistant Manager, Micheal Shannon, at 620-697-2111 anytime about this matter.

Respectfully,



Bob Boaldin

President Epic Touch

Summary

WSU's Center for Economic Development and Business Research FCC USF Reform

“In reality, the report understates the potential impact, which is likely to be far worse because the impact of some of the proposed reforms can't yet be quantified.” Epic Touch President Bob Boaldin – former member of President Bill Clinton’s National Security Telecommunications Advisory Committee

Kansas RLECs:

- provide telecommunications services in 104 of the state's 105 counties
- provide telecommunications services to some of the highest-cost, hardest-to-serve areas
- are key employers in their communities

If the FCC USF proposal is not fine-tuned Kansas RLECs will (through 2016):

- lose up to \$143 million in funds
- be forced to dramatically change their operations
- be forced to reduce services and associated staff
- lose \$29 million in wages
- lose 140 direct jobs
- default on loans owed to the federal government and other lenders
- cease operations in numerous highly rural communities across the state

The State of Kansas will (through 2016):

- lose 367 jobs in the rural areas
- lose a total wage impact of \$51 million
- lose \$1.4 million in personal income taxes
- lose \$1.1 million in property tax (local and state)
- lose \$1.5 million in retail sales-tax collections
- see the curtailment of local services
- lose Broadband Internet access in some of the state's more remote areas

EPICTouch Company
Elkhart, Kansas

Concerns of current FCC USF and ICC Reform

- Epic Touch borrowed money to invest broadband infrastructure for the betterment of our customers and their quality of life. The FCC has encouraged broadband deployment. Today our local telephone exchange is 100% fiber. The money used to put this network in place was borrowed on the foundation of repayment from Universal Service Funds. Repayment of debt will not be possible with the current reform on USF by the FCC.
- There will be a substantial domino effect to our community, including anchor institutions, with the devastating results of the FCC's USF reform. Here are a few specific instances of the negative impact in my community:
 - Without broadband access, our medical facilities will lose the ability to have x-rays sent over the internet to be read in another facility. Patients will have to travel to other facilities to be treated.
 - Lives could be at risk if access to 911 services, that depend on broadband connections, are not available.
 - Our schools will not have access to high speed internet which would put students at a disadvantage.
 - Farmers would not be able to use broadband technology with their agriculture and irrigation equipment.
 - The USF Reform is putting the future of Rural America in jeopardy. Without access to broadband services in Rural America, where will the United States get corn, wheat, cotton, beef, pork, poultry, oil and gas?
 - Our local governments will have a dramatic impact due to lower tax revenues.

EPICTouch Company
Elkhart, Kansas

Concerns of current NPRM FCC Order on USF and ICC Reform

- Inability to repay \$6 Million in debt with a maturity date of 2021. Loans are from bank that loans to industry, not governmental loans or grants.
- Believed we were making decisions in line with customer demand and providing broadband to each customer. Being proactive in giving each one of our customers broadband. Recently doubled internet speeds to each customer at no additional cost – makes us question those types of business decisions that benefit our customers. Have speeds of 4M up and 4M down
- We have stopped all capital improvement projects.
- Caps on Capital and Operating expenditures are applied to investment already made. We can't undo loan commitments.
- If would have known support would be changed and caps applied retroactively, wouldn't have made investment to get our community 100% fiber.
- Elkhart Telephone loose \$720,000, about 22% of HCL and ICLS \$1,405,000 38%
- Epic PCS loose \$2 Million in Federal USF
- Impact on community – putting community at risk – anchor institutions like schools, medical facilities, local governments.

Epic Touch Co. and FCC reform of the Universal Service Fund (USF)

About the USF

The Universal Service Fund (USF):

- was created by the United States Federal Communications Commission (FCC) in 1997
- was used to keep telephone service affordable to the consumer in rural areas
- was to meet Congressional universal service goals as mandated by the Telecommunications Act of 1996
 - that provides funding to preserve and advance universal service
 - includes all schools, classrooms, health care providers, and libraries
 - so that they have access to advanced telecommunications services
- is especially important because of the high cost to companies across the nation serving:
 - rural areas
 - low-income consumers
 - rural health care providers
 - schools
 - libraries

About Epic Touch Co.

Epic Touch Co.:

- is a proven voice, video and data provider in southwest Kansas and the Oklahoma Panhandle
- began more than a half century ago in Elkhart, Kan.
- is an innovative leader in the industry
- installed digital switching and the longest unrepeatable fiber network in the nation in 1984
- in 1997 was one of the first to provide Internet service to rural America and to provide high speed Digital Subscriber Line based service with its deployment
- is 100% fiber optics in- and out-of town
- is ahead of the curve providing its customers service through fiber optics at an affordable price, including faster internet speeds than the FCC has set as the standard for rural America
- is owned by Bob and Dian Boaldin; the Boaldins have promoted and provided telephone, internet, wireless and cable TV services for America's rural communities. Bob's work has taken him from the nation's remote rural areas to the halls of Congress on both sides of the aisle and the inner offices of the National Security System.
- includes the cable, telephone and internet company in Elkhart, Kan., a wireless PCS network with partners nationwide and communications product retail stores in Guymon, Okla., and Liberal and Elkhart, Kan.
- is required to collect USF fees from its customers, which are then paid into a fund and then distributed to rural communications companies.
- has been a good steward of these funds by reinvesting them into the local community
- is a Kansas Rural Local Exchange Carriers (RLECs)
- is among the thousands of RLECs across the nation asking for changes in the mandated and proposed reform

About rural broadband

Rural broadband:

- is a part of our state's critical infrastructure
- has played a vital role in equipping Kansas first responders and health care providers with information that has been used to save and enhance the lives of Kansans

- has helped small communities by attracting businesses
- enables rural Kansas residents to gain employment with companies far from home, through the ability to "telework"

About Connect America Fund (CAF)

On Oct. 27, 2011, the FCC approved a six-year transfer process that would transition money from the Universal Service Fund to a new \$4.5 billion a year Connect America Fund for broadband Internet expansion, effectively putting an end to the USF by 2018

What CAF does

Rather than accelerate broadband build-out to the 18 million Americans (90,000 Kansans) living in rural areas who currently have no access to broadband, it actually hurts those rural telecommunications companies that have braved the remote areas to bring services to those very areas and are willing to continue to do so and puts the future of rural Kansas in peril.

Independent Research

Wichita State University's Center for Economic Development and Business Research conducted a study of the proposed reform.

Kansas Rural Local Exchange Carriers (RLECs), which includes Epic Touch:

- provide telecommunications services in 104 of the state's 105 counties
- provide telecommunications services to some of the highest-cost, hardest-to-serve areas
- RLECs are key employers in their communities

If the FCC USF proposal is not fine-tuned Kansas RLECs will (through 2016):

- lose up to \$143 million in funds
- be forced to dramatically change their operations
- be forced to reduce services and associated staff
- lose \$29 million in wages
- lose 140 direct jobs
- default on loans owed to the federal government and other lenders
- cease operations in numerous highly rural communities across the state

The State of Kansas will (through 2016):

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- lose \$1.4 million in personal income taxes
- lose \$1.1 million in property tax (local and state)
- lose \$1.5 million in retail sales-tax collections
- see the curtailing of local services
- lose Broadband Internet access in some of the state's more remote areas

If implemented as ordered and proposed the FCC USF reform will mean:

- that Kansans may need to say goodbye to broadband Internet access in some of the state's more remote corners
- millions of rural Americans will be left behind
- Rural Kansans risk being unplugged from the world

- Kansas RLECs will, at minimum, cease operations in numerous highly rural communities across the state
- will have a significant, negative economic impact on rural Kansas

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Other telcos have same experience

The National Telecommunications Cooperative Association (NTCA), Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO) and the Western Telecommunications Alliance have joined forces; sending a letter to Agriculture Secretary Thomas J. Vilsack asking him to escalate rural telco concerns about certain elements of the Connect America Fund order; to help prevent the FCC from undertaking several additional reform measures.

Points in the letter:

- “Through a combination of changes to existing USF and ICC programs, the FCC effectively reduced funding available to RLECs, implementing retroactively applicable limitations that ‘pull the rug’ from beneath RLECs that invested on the basis of then-existing federally administered programs, and imposed new requirements on rural carriers.”
- “we are already hearing from members whose business plans for 2012 consist primarily of cutting back on operations and/or reducing staff to accommodate the constraints already ordered by the FCC.”
- “few, if any, RLECs plan significant investment in 2012 as uncertainty gathers and lingers.”
- This “regulatory overhang” is undermining job creation and “the sustainable quality of broadband services in wide swaths of rural America.”
- Certain actions proposed in the further notice of proposed rulemaking (FNPRM) included in the Connect America Fund order would “amplify uncertainty.”
- These proposed actions include:
 - Reducing the rate of return for rate-of-return telcos
 - Further reducing Universal Service cost recovery for RLECs
 - Eliminating inter-carrier payments without compensatory cost-replacement measures
 - “Gerrymandering” RLEC service areas

Save Rural America’s Telcos

Bob Boaldin, president of Epic Touch Co., and other telco leaders from across the nation (Kansas, Alaska, Georgia, New York, Wyoming, Montana, Wisconsin and more) took their message to Washington DC recently. Communicating with other states Boaldin found that all of rural America will be affected negatively by these reforms.

“My contemporaries from other states are facing the same dire truth. Multiply these Kansas numbers by 50 states plus the nation’s territories and the so-called Connect America Fund is a recipe for rural devastation. Mr. Genachowski spoke often at the hearing of fiscal responsibility. These orders punish those rural companies that have been fiscally responsible. We implore the FCC to decline to act on several aspects of the proposals at this time, or until a time that the FCC is clear on the order.” - Bob Boaldin

Most recent action

- FCC Chairman Julius Genachowski appeared before the Appropriations Financial Services and General Government Subcommittee Hearing on May 9.

- This had not occurred in Washington in a decade
- Kansas Senator Jerry Moran told Genachowski that the FCC order hinders the funds necessary to recover loans made to rural telecommunications companies.
- Moran noted that while the waiver process set up by the agency does address those concerns, and called them seemingly impractical and the threshold “very high.” He expressed concern that only phone companies not able to provide voice service any longer would qualify for a waiver.
- Genachowski observed that in the end the FCC may need the help of Congress to work through concerns on Rural Utilities Service loans.
- A more recent FCC order delayed and changed some of the reforms, but did not improve the dire prediction and in most cases made it worse

The future

What about the future of Epic Touch Co.?

The Boaldins, Epic Touch Co. and its employees:

- will continue to provide service to southwest Kansas and the Oklahoma Panhandle
- are dedicated to doing what it takes to provide voice, video and data services in southwest Kansas and the Oklahoma Panhandle that began more than a half century ago in Elkhart, Kan.
- will continue to take the message to Washington and the FCC that rural America is vital to the United States of America
- support a focused effort to update and fine-tune a system that has worked well
- implore the FCC to decline to act on several aspects of the proposals at this time, or until a time that the FCC is clear on the order

Want to help?

What can you do to help?

- educate your Senators and Representatives on the local, state and national level with this information
- inform your local media about this issue
- sign our letter of petition in support

